



Volvo Group

THIRD QUARTER 2015

JAN GURANDER

VOLVO GROUP

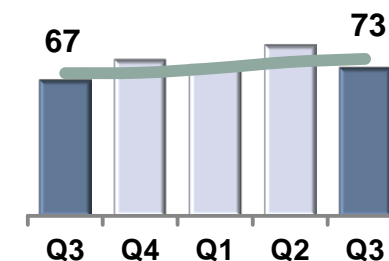
Third quarter highlights



- **IMPROVED PROFITABILITY ON FLAT VOLUMES**
- **UNDERLYING OPERATING MARGIN 6.9%**
- **OPERATING CASH FLOW OF SEK -3.3 BN**
- **LOI TO SELL EXTERNAL IT BUSINESS AND OUTSOURCE IT INFRASTRUCTURE OPERATIONS**

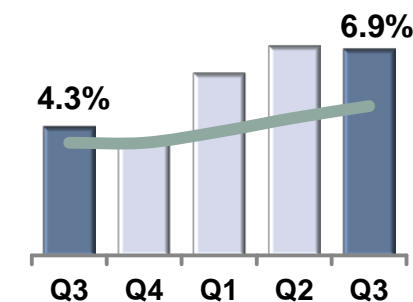
NET SALES

SEK bn 12 months 310 bn



OPERATING MARGIN*

% 12 months 6.0%



TRUCKS EUROPE

Improving demand

- Total market up 20% through Aug – growth in most markets
- Total market outlook for 2015 revised upwards from 250,000 to 265,000 units
- Net order intake improved by 11% in Q3
 - Renault Trucks +34%
 - Volvo -2%
- Total market outlook for 2016: 275,000 units
- Market shares through Aug
 - Volvo 16.0% (-1.0)
 - Renault Trucks 7.8% (-0.1)

ORDERS & DELIVERIES

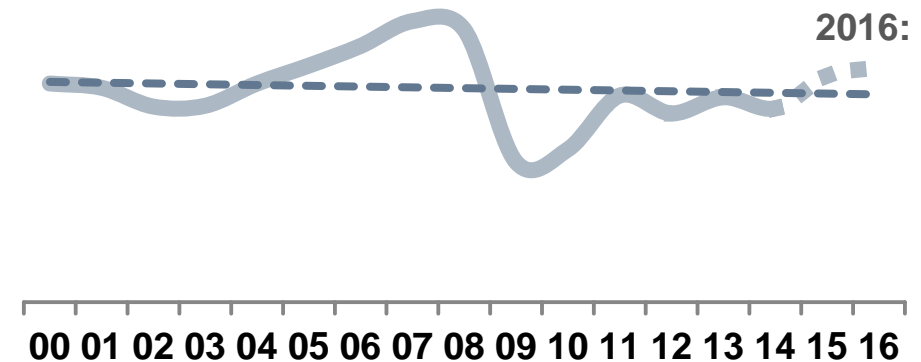
Book-to-bill Q3: 102%



TOTAL MARKET (heavy-duty)

2014: 228' trucks

Forecast:
2015: 265'
2016: 275'



TRUCKS NORTH AMERICA

Adjusting from peak to high levels in 2016

- Total market increased by 18% through Sep
- Total market forecast remains at 310,000 trucks for 2015
- Net order intake decreased by 40% in Q3
 - Volvo -30%
 - Mack -51%
- Total market 2016: ~280,000 units (-10%)
- North American market shares YTD Sep:
 - Mack 7.3% (-0.7)
 - Volvo 12.0% (0.0)

ORDERS & DELIVERIES

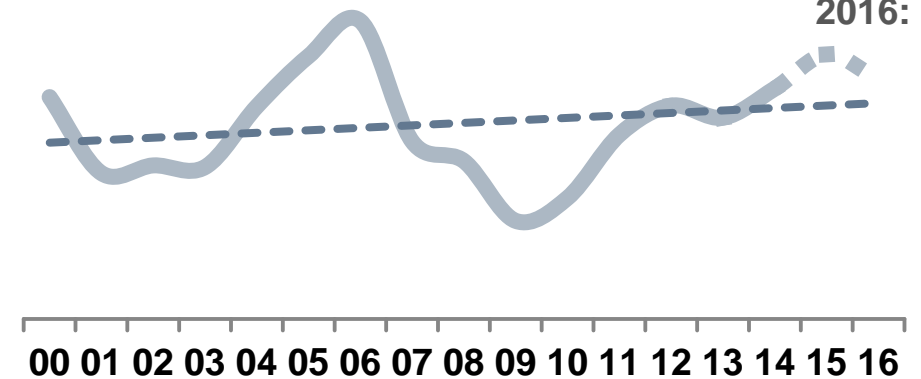
Book-to-bill Q3: 70%



TOTAL MARKET (heavy-duty)

2014: 270' trucks

Forecast:
2015: 310'
2016: 280'



TRUCKS SOUTH AMERICA

Continued weak economic development in Brazil

- Total heavy-duty truck market in Brazil declined by 53% in Q3 2015
- Total Brazilian market forecast for 2015 unchanged at 40,000 units. Market expected to remain unchanged in 2016
- Net order intake declined by 54% in Q3
- Volvo's market share in Brazil declined to 20.0% (-1.1) YTD Sep

ORDERS & DELIVERIES

Book-to-bill Q3: 71%



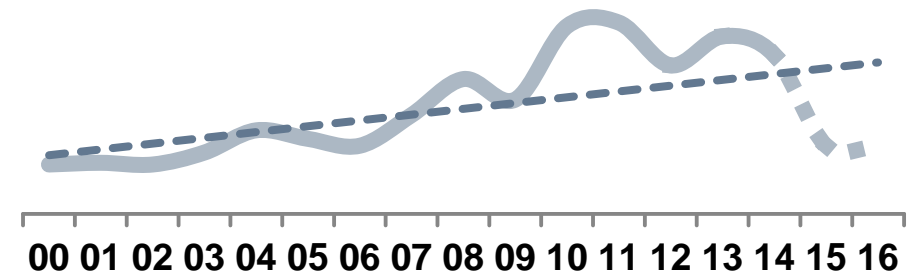
TOTAL MARKET, BRAZIL (heavy-duty)

2014: 93' trucks

Forecast:

2015: 40'

2016: 40'



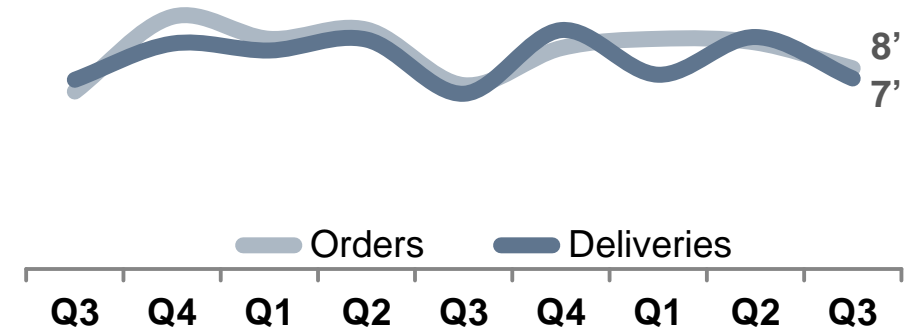
TRUCKS ASIA PACIFIC

Mixed market development

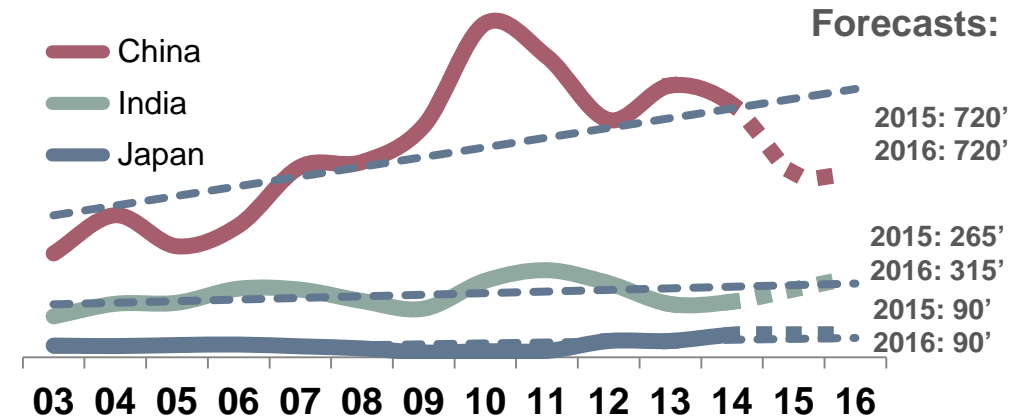
- Japanese demand remains healthy
- Recovering demand in India, but weak in South East Asia
- China continues to decline
MD&HD down 29% YTD Sep
- UD Trucks' HD market share in Japan reached 18.6% (+0.2) YTD Sep

ORDERS & DELIVERIES

Book-to-bill Q3: 105%



MARKET OUTLOOK medium- & heavy-duty



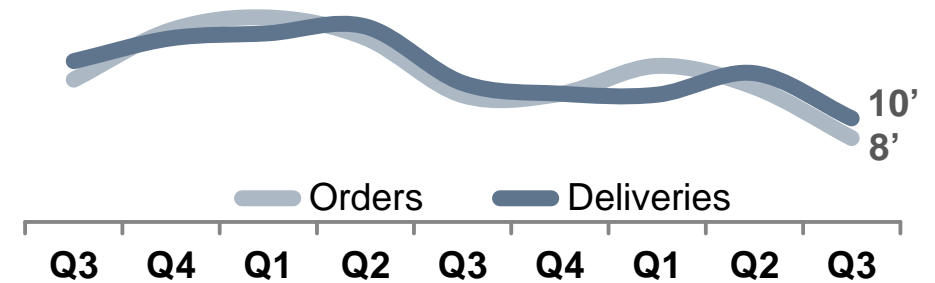
VOLVO CONSTRUCTION EQUIPMENT

Continued headwind in BRC

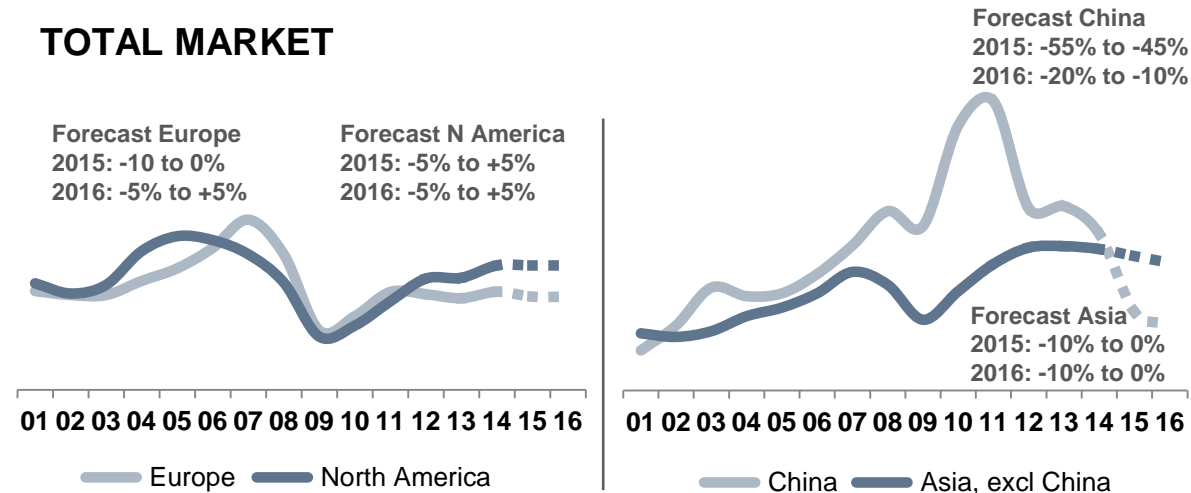
- Markets YTD August:
 - Europe, ex Russia: +3%
 - North America: +4%
 - China: -50%
- Deliveries down by 25% mainly due to low demand in China, Russia and Brazil
- Orders down by 34%
 - Europe, ex Russia: +8%
 - North America: -25%, large machines -1%
 - Asia: -41%
- Sales activities to improve market and product mix – market shares on large machines up ~2pp YTD Aug

ORDERS & DELIVERIES

Book-to-bill Volvo Q3: 74%



TOTAL MARKET



BUSES



- Deliveries stable, orders up by 21%
- Continued good demand in North America, recovery in Europe and low demand in Brazil
- Launch of:
 - Volvo Dynamic Steering on coach range
 - Volvo 7900 Electric

VOLVO PENTA



- Good order intake, +10%
- Significant slowdown in China
- Competitive products in all segments:
 - New range of gasoline engines
 - Introducing latest innovation in Europe: Volvo Penta Forward Drive



Volvo Group

THIRD QUARTER 2015

FINANCIAL REVIEW

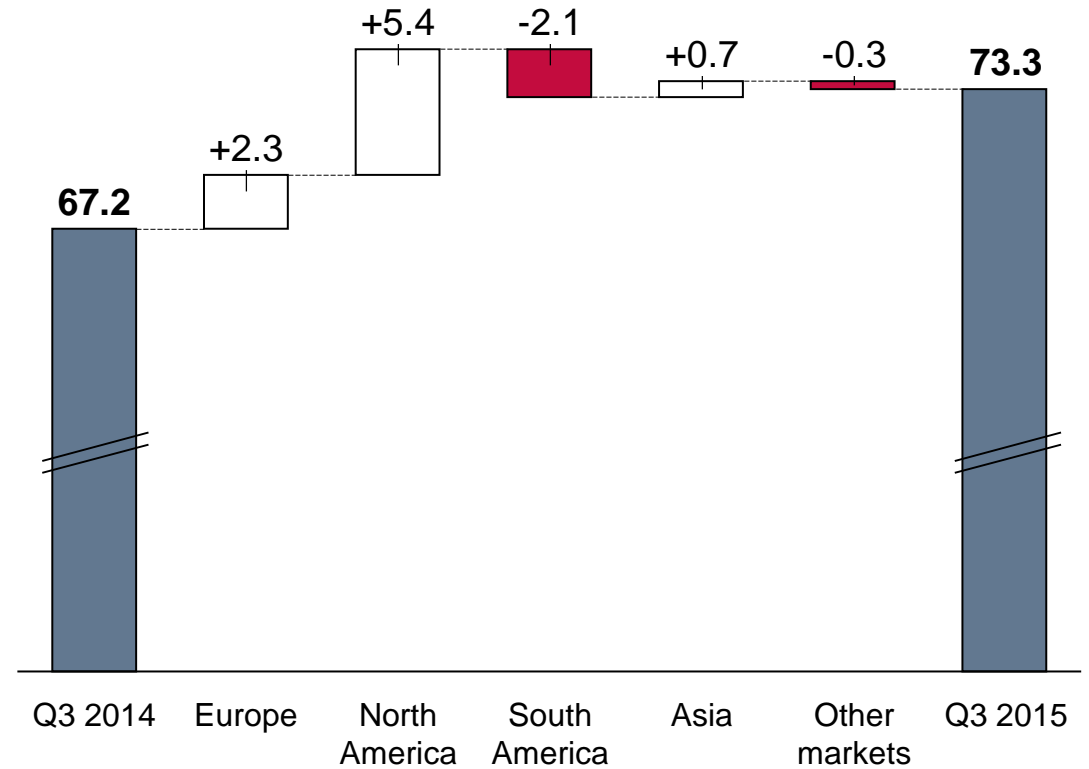
VOLVO GROUP

Good sales growth in North America and Europe partly offset by decline in South America



NET SALES
SEK bn

➤ FX impact: +5 bn



Earnings improvement driven by Trucks and Buses

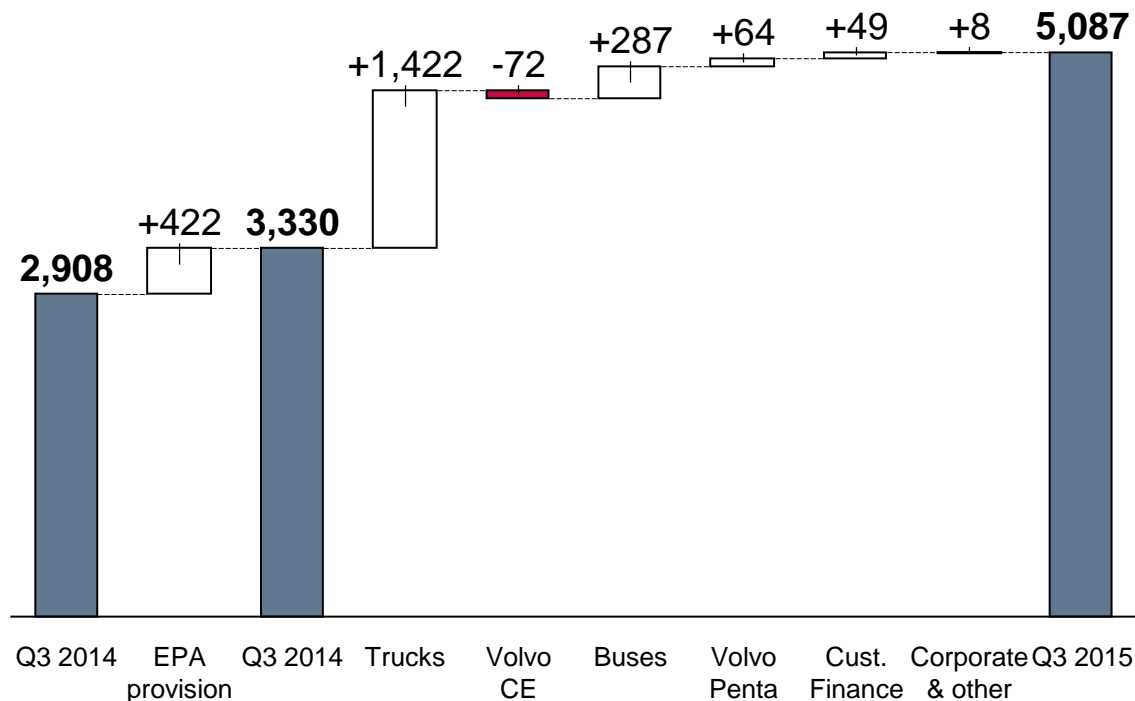
- + Trucks
- + Buses
- + Volvo Penta
- + Customer Finance

- Volvo CE – credit loss provision of SEK 293 M

OPERATING INCOME*

SEK M

➤ FX impact: +831 M



Improved earnings in North America and Europe

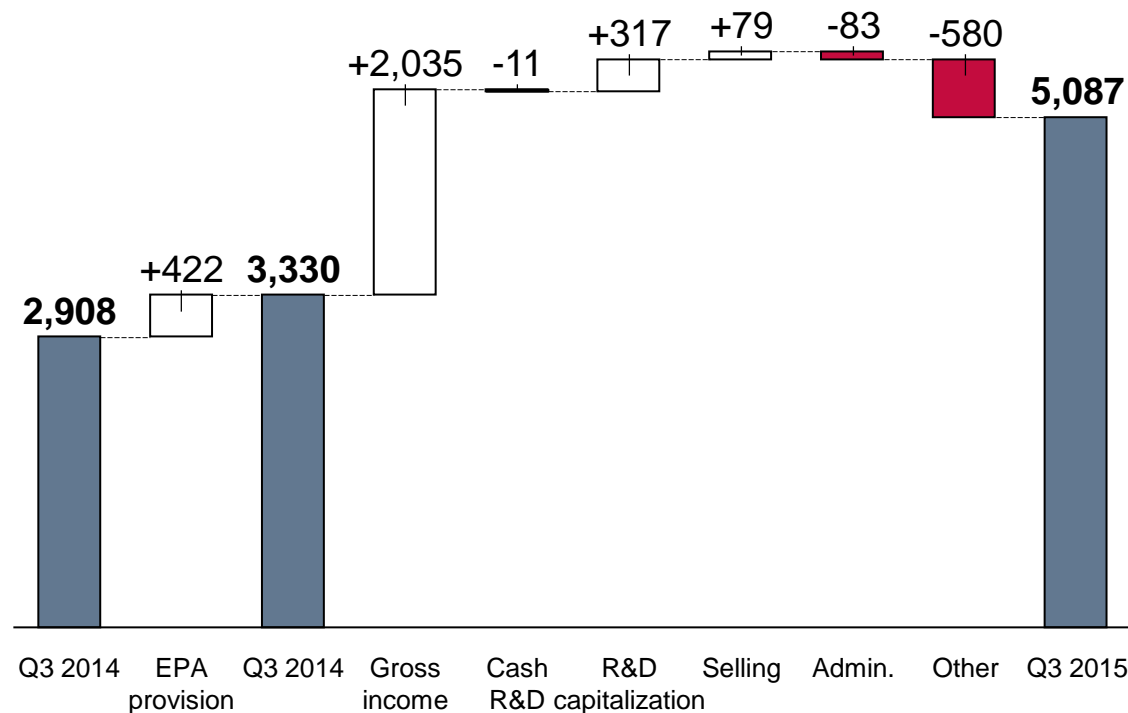
- + Higher gross income in North America and Europe
- + Higher R&D capitalization
- + Currency

- Lower gross income in Brazil and China
- Credit provisions of SEK 293 M in "Other"

OPERATING INCOME*

SEK M

➤ FX impact: +831 M

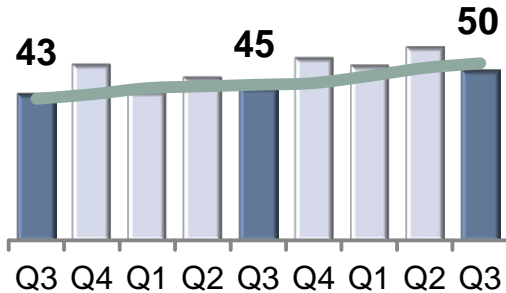


TRUCKS

Profitability improvement trend continues

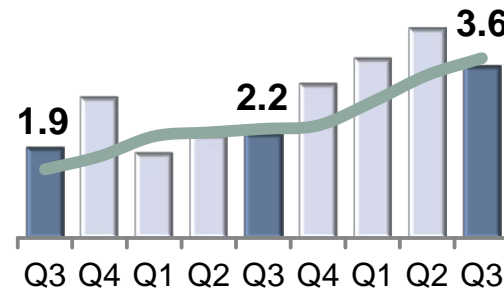
SALES TREND

SEK bn
12 months 213 bn
Currency: +3.7 bn



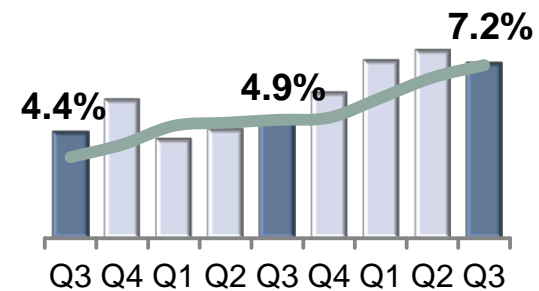
OPERATING INCOME*

SEK bn
12 months 15.0 bn
Currency: +381 M



OPERATING MARGIN*

%
12 months 7.1%

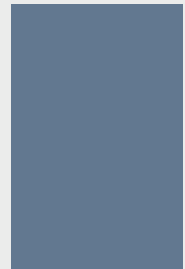


TRUCKS

Improved profitability in North America and Europe

OPERATING INCOME*
SEK M

2,193



Q3 2014

- + Improved margins & volumes in North America
- + Lower OPEX
- + Higher volumes in Europe
- + Aftermarket
- + Currency

- Lower volumes & margins in Brazil

OPERATING INCOME*
SEK M

3,615



Q3 2015

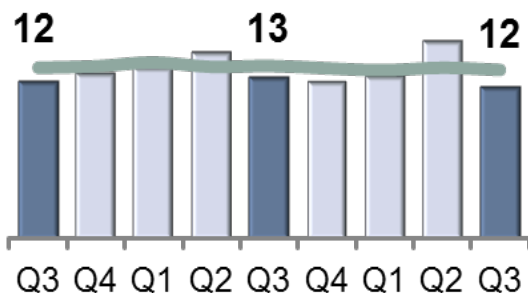
VOLVO CE

Stable profitability despite continued drop in volumes – down 25%

SALES TREND

SEK bn

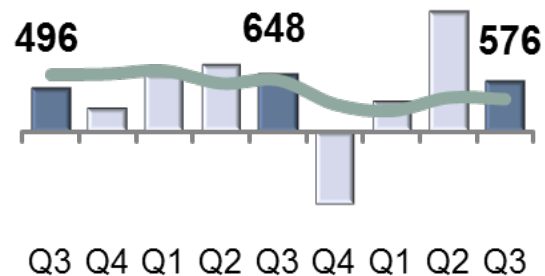
12 months 52 bn
Currency: +1.1 bn



OPERATING INCOME*

SEK M

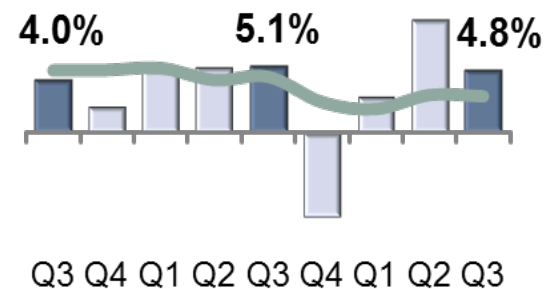
12 months 1.5 bn
Currency: +455 M



OPERATING MARGIN*

%

12 months 2.8%



VOLVO CE

Improved results in Europe and North America offset by volume drop and credit loss provision

OPERATING INCOME*
SEK M

648

Q3 2014

- + Favorable product mix
- + Reduced operating expenses
- + Currency

- Lower volumes, deliveries down 25%
- Lower earnings in China and provision for expected credit losses of SEK 293 M

OPERATING INCOME*
SEK M

576

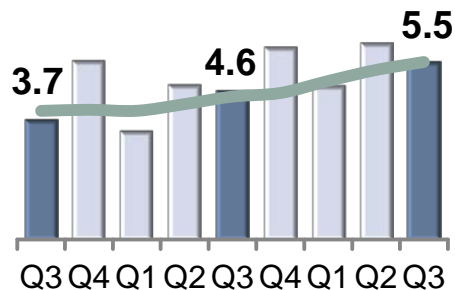
Q3 2015

BUSES



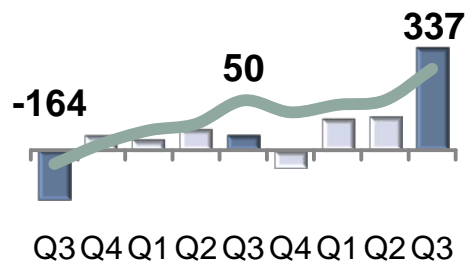
SALES TREND

SEK bn 12 months 22 bn
Currency: +0.3 bn



OPERATING INCOME*

SEK M 12 months 494 M
Currency: -26 M

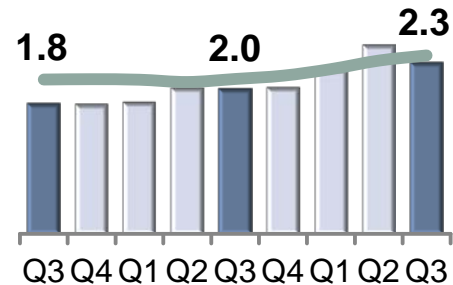


VOLVO PENTA



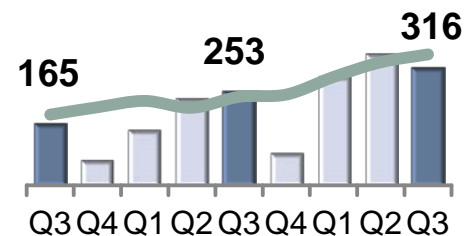
SALES TREND

SEK bn 12 months 9 bn
Currency: +0.1 bn



OPERATING INCOME*

SEK M 12 months 1,052 M
Currency: +83 M



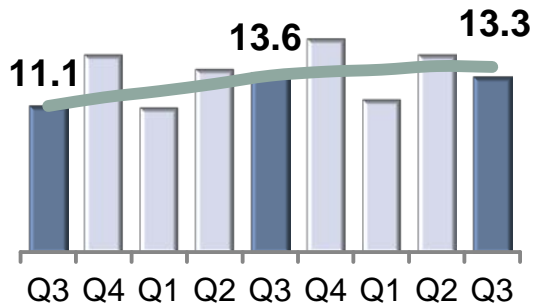
CUSTOMER FINANCE

Profitable portfolio growth

NEW FINANCING

SEK bn

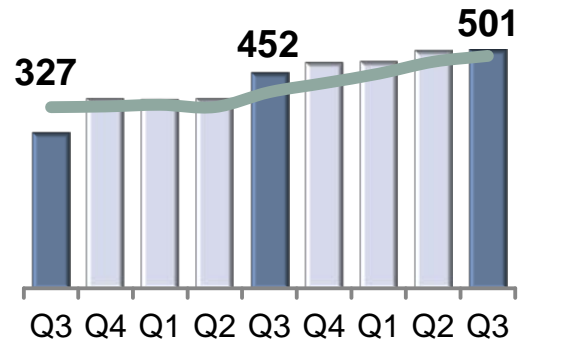
12 months 56 bn



OPERATING INCOME*

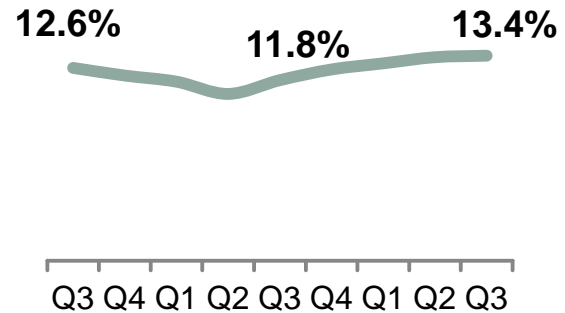
SEK M

12 months 1,944 M



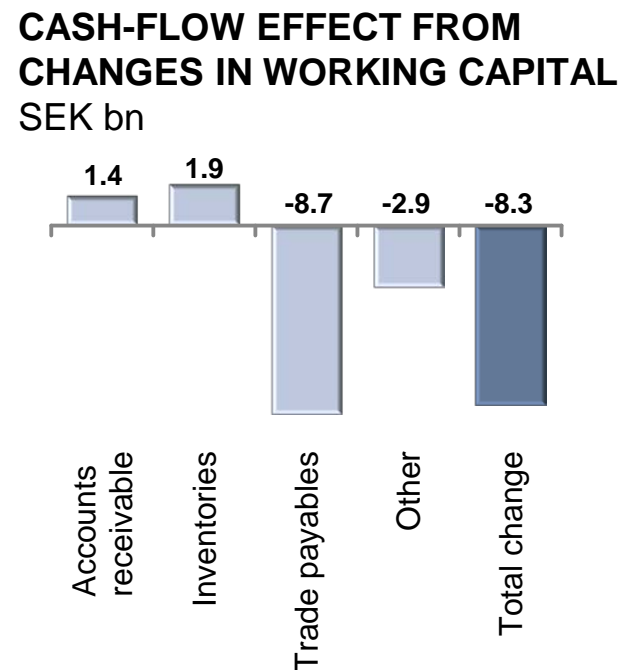
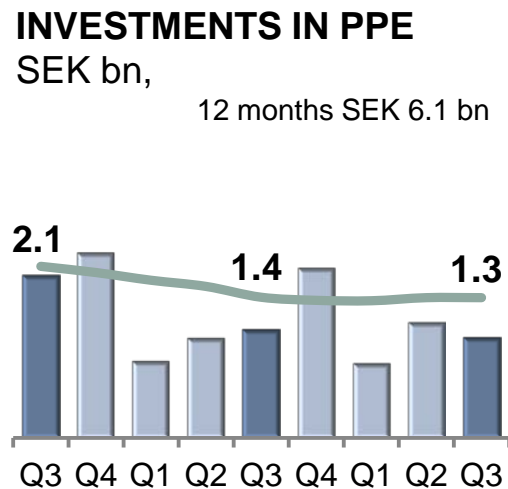
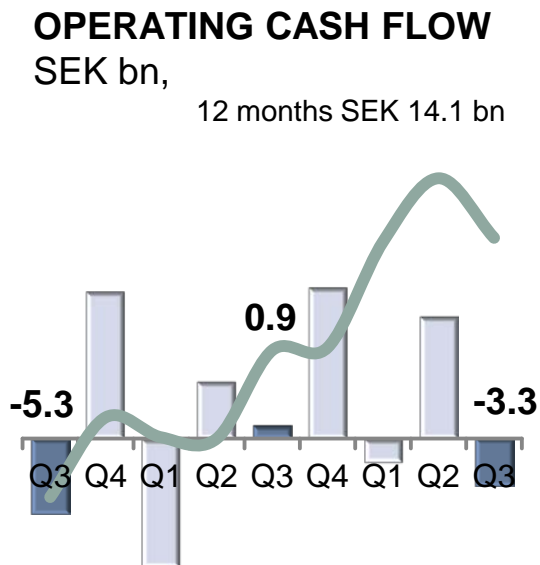
ROE

12 months, %



VOLVO GROUP – INDUSTRIAL OPERATION

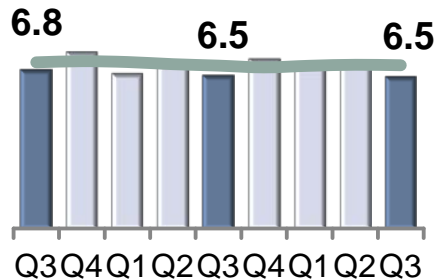
Cash flow impacted by seasonal drop in payables



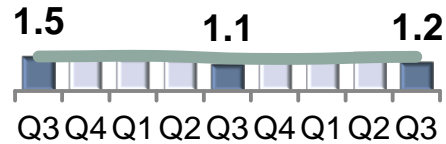
VOLVO GROUP

Structural cost reductions continue in local currency

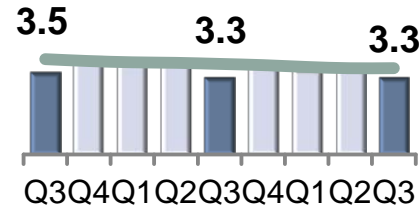
SELLING EXPENSES
SEK bn, 12 months 27.8



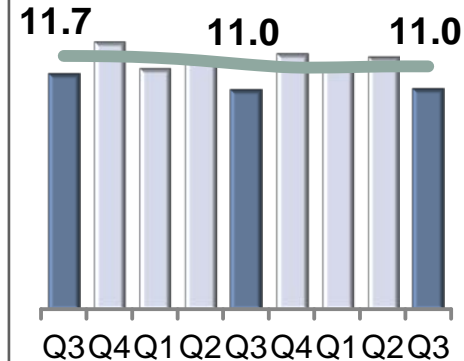
ADMIN. EXPENSES
SEK bn, 12 months 5.8



CASH R&D EXPENSES
SEK bn, 12 months 14.7



TOTAL OPEX
SEK bn, 12 months 48



REALIZED COST REDUCTIONS ADJUSTED FOR CURRENCY EFFECTS

Q315 vs. Q314

- 284* M

Q315 vs. Q314

+ 64* M

Q315 vs. Q314

- 140* M

Total cost reduction*

Σ - 360* M



VOLVO GROUP

Structural cost to be reduced by SEK 10 bn – facing currency-headwind

SEK bn	2012	2013	2014	Q3 2015*	Targeted reduction 2016 vs 2012
Structural cost reduction in Gross Income	-	-	-1.0	-2.1	
Cash R&D	16.9	15.9	15.2	14.7	
Selling expenses	27.9	28.5	27.4	27.8	
Administrative expenses	5.6	5.9	5.4	5.8	
Total reduction vs. 2012		-0.1	-3.3	-4.2	-10
Total reduction vs. 2012 excl. currency				-6.2	

Implemented by end 2015 with full-year effect in 2016

VOLVO GROUP

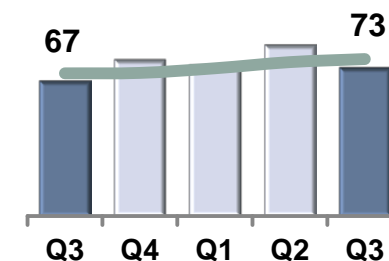
Third quarter summary



- 1 IMPROVED PROFITABILITY ON FLAT VOLUMES**
- 2 EFFICIENCY ACTIVITIES IN FOCUS FOR 2015:**
 - GROUP TRUCKS SALES
 - IT OPERATIONS
 - GROUP TRUCKS OPERATIONS
 - VOLVO CE

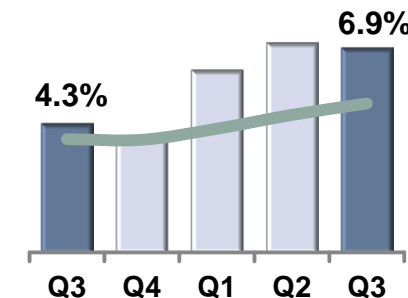
NET SALES

SEK bn 12 months 310 bn



OPERATING MARGIN*

% 12 months 6.0%



Volvo Group

Third quarter 2015

